



August 22, 2006

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th and Constitution Way, NW
Washington, DC 20551

Re: Comment to Notice of Proposed Rulemaking – Regulation D

Dear Ms. Johnson:

Pacific Coast Bankers' Bancshares ("Bancshares") appreciates the opportunity to comment on the Notice of Proposed Rulemaking ("NPR") in the Board's proposal to revise its 1980 interpretation ("Interpretation") of Regulation D as it relates to bankers' banks (Docket Number R-1262). Bancshares is a bank holding company that wholly owns a bank subsidiary, Pacific Coast Bankers' Bank ("PCBB") and a non-bank subsidiary, Banc Investment Group, LLC ("BIG"). Serving more than 450 financial institutions in the western United States and with assets under management of \$3.6 billion as of 12/31/05, PCBB is one of the largest bankers' banks in the United States.

We support the Board's proposal to amend the Interpretation to authorize the Board to expand the range of customers with which a bankers' bank may permissibly do business. As a bankers' bank, our mission is to deliver high quality, competitively priced correspondent banking services and capital market products to our financial institution customers while providing a fair return to our shareholders, who are almost exclusively financial institutions. To accomplish our mission we need to have a robust suite of products that meet both the current needs and the developing needs of our customers.

During the past 15 years the customer base served by the bankers' banks across the United States, which generally consists of banks with assets of less than \$1Billion, has undergone significant change. A recent article in the American Banker noted 1) there were 12,000 community banks in 1990 and only around 7,000 in 2005, 2) those community banks held 30% of the industry's assets in 1990 and in 2005 they held only 13%, 3) those community banks held about 42% of the industry's mortgages in 1990 and only 13.4% in 2005, 4) those community banks held 26% of the home equity loans in 1990 and only 7% in 2005, 5) those community banks held 14% of credit card outstandings in 1990 and only 1% in 2005, 6) those community banks held about one

dollar of every five of the industry's C&I loans in 1990, and only one of every 10 in 2005.

Given these noteworthy shifts in the size of the industry and the declines in business segment activity, compounded by the entry of a growing number of non-bank entities into lines of business which were previously the purview of community banks and the many changes taking place in the industry due to new regulations and the advances in technology, the current range of customer types may actually be overly restrictive with the potential to diminish the franchise value of a bankers' bank. Therefore, expanding the range of customers could afford us the opportunity and capability to better serve our existing customers, establish new relationships, and continue to provide a fair return to our shareholders.

While we support the Board's proposal, we would also like to share our thoughts on a few topics that do not appear to be adequately addressed in the proposal. First, the proposal is silent on the expected length of time for making a case-by-case determination. The intended benefit of the additional flexibility to be gained through an arrangement with a new customer type could be offset if the determination timeline is overly lengthy. Second, the proposal is not specific on the extent to which the individual reserve banks will be involved with the decision making process. In our opinion, a solid understanding of the company's risk profile and management team is a necessary element for making any determination and feel that the individual reserve banks are in the best position to develop that understanding.

We commend the Board for its attempt to update the Interpretation. In summary, authorizing the Board to expand the range of customers with which a bankers' bank can do business will almost certainly add value to the bankers' bank franchises by providing much needed flexibility given today's ever-changing business environment. However, without additional guidelines as to how and when those determinations will be made, those benefits could be muted. Therefore, we kindly ask that the Board consider these points prior to the adoption of the final rule. Thank you for your consideration.

Best Regards,

Thomas N. Evans
President & CEO